

MANAGEMENT INITIATIVE DECISION



MID 919

TITLE: Premium Travel

DATE: October 18, 2004

DECISION: The Deputy Secretary approved the MID.

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SUBJECT: Premium Travel

DOD COMPONENTS: All

SUMMARY OF EVALUATION: This Management Initiative Decision (MID) changes the process by which the Department uses Premium (First and Business Class) Travel. To strengthen the Department's internal and management controls over this premium travel usage, this MID:

- Requires the Department of Defense (DoD) Components to:
 - Approve premium class travel using higher level authorities;
 - Implement procedures to monitor compliance with requirements in this MID;
 - Collect, store, and report on accurate and complete data on premium class travel, including the extent of premium class travel within the DoD and the manner in which Components shall document the authorization and justification of premium class travel; and
 - Provide a semi-annual report on premium class travel to the USD(P&R).
- Requires the Director, Defense Finance and Accounting Service (DFAS), to develop a plan and field a web-based reporting system upon appropriate Business Enterprise Architecture (BEA) approval.
- Requires the United States Transportation Command (USTRANSCOM) to reconfigure the Statistical Collection of Passenger Travel database.

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DETAIL OF EVALUATION: Following a General Accounting Office audit (GAO #04-88) of premium class travel within the DoD, the Under Secretary of Defense (Personnel and Readiness) {USD(P&R)} established a DoD Task Force to develop corrective measures to address the GAO findings. The Task Force was comprised of members of all DoD organizations that manage, set policy for, or review travel. The Task Force examined the Department's management of premium class (first and business classes) travel, identified major management oversight deficiencies, and recommended process changes for improvement. The Task Force focused on three major areas:

- Policy and controls of travel authorization,
- Ticket issuance and reporting, and
- Internal control and oversight.

Three basic functional areas are involved in the management of travel within the Department of Defense (DoD). The Under Secretary of Defense (Acquisition, Technology, and Logistics) {USD(AT&L)} exercises oversight of transportation policy. The USD(P&R) exercises oversight of travel entitlement policy as a part of overall compensation policy. The Under Secretary of Defense (Comptroller) {USD(C)} exercises oversight of settlement of travel claims and payment of airline bills.

The General Services Administration (GSA) establishes the general rules for the types of situations that qualify for consideration of premium class travel in the Federal Travel Regulation (FTR). Agencies have the discretionary authority to publish their own implementing regulations and may be more restrictive than the FTR. For DoD, the implementing regulations are the Joint Federal Travel Regulation (JFTR) for uniformed travelers and the Joint Travel Regulation (JTR) for civilian travelers. Component regulations may supplement the JFTR and JTR. While those regulations may be more restrictive than the JFTR and JTR in areas of discretion, they may not be more liberal.

Premium Class Travel Authorization

The FTR does not specify at what organizational level agencies will place decision authority for use of premium class travel. Each agency makes that decision. DoD Directive 4500.9, "Transportation and Traffic Management," specifies the approval levels for first class travel. The JFTR and JTR specify business class approval authorities.

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As part of the overall travel simplification efforts in 1995 and 1996, DoD decentralized business class approval authority to the authorizing/order-issuing official level. DoD relied on those authorities to apply a "prudent person" standard to prevent abuse. While DoD regulations do require approval for the use of premium class travel, DoD left the method for documenting that approval to each Component as part of their order issuance procedures. There is no common prescribed form or procedure across all of DoD.

The basic policy on use of premium class travel as prescribed by the JFTR and JTR did not explicitly state that premium class travel was an exception condition. This contributed to a practice of recurring use of premium class travel based on grade or on particular travel channels.

The disability and special needs category of premium class travel accommodations is another area where inconsistencies across DoD existed because DoD and the Services had not defined standards for authorization, justification, certification limits, and approval documentation of this category of premium class travel. The inconsistency in policy language and approval processes created confusion for travelers and officials leading to inappropriate use of premium class travel. The lack of consistent policy guidance contributed to a significant level of abuse. To correct this deficiency, the MID requires that the approval authority for premium class travel be elevated.

First class approval authority is limited to:

- The Director, Joint Staff or as delegated. Re-delegation may be no lower than to the three-star major commanders.
- The Secretaries of the Military Departments with re-delegation authority to Under Secretaries, Service Chiefs or their Vice and/or Deputy Chiefs of Staff, and four-star major commanders or their three-star vice and/or deputy commanders, and no further.
- The Executive Secretary for the Secretary of Defense, with no further delegation to any fourth estate organization (i.e., Defense Agency).

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Business class approval authority is limited to:

- Officials with authority to authorize/approve first class accommodations, with delegation authority to no lower than general/flag officers at the two-star level or their civilian equivalents (based on position equivalency).

Premium class approving officials may not approve their own premium class travel. They must obtain approval from their reporting senior flag officer or civilian equivalent. Approval must be by someone senior to the traveler. Approval officials must use the justification and documentation requirements contained in the revised JFTR and JTR, which were updated effective March 1, 2004.

PREMIUM CLASS TRAVEL APPROVAL LEVELS

<u>Organization</u>	<u>First Class</u>	<u>Business Class</u>
OSD and Defense Agencies	Executive Secretary, with no further delegation.	Executive Secretary. Delegation may be authorized to a two-star (or equivalent civilian position) level.
Joint Staff and Combatant Commands	Director, Joint Staff. Delegation may be authorized but not below three-star major commanders.	Director, Joint Staff. Delegation may be authorized to three-star major commanders.
Military Departments	Military Department Secretary. Delegation may be authorized to the Under Secretaries and Service Chiefs, but not below the Deputy/Vice Chiefs of Staff, and four-star major commanders or their three-star deputy/vice commanders.	Military Department Secretary. Delegation may be authorized to the Under Secretaries and Service Chiefs, Vice/Deputy Chiefs of Staff, and major commanders or their three-star deputy/vice commanders. Further redelegation may be authorized but not below the two-star (or equivalent civilian position) level.

The responsible approving officials shall ensure appropriate designations and delegations of approving authority for both first class and business class travel have been accomplished,

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documented, and communicated to all personnel within 30 days of the signing of this MID. The officials also must notify the USD(P&R) when this is done.

Because decision authority is now at a higher level and because each Component may have its own requirements and restrictions, the Joint Staff, all Military Departments, and all Defense Agencies shall prepare a training program that fits the needs of their organization. The travel policy offices within the DoD Components shall provide a plan to the USD(P&R) - within 90 days of the signing of this MID - on how they will periodically provide notices and training to travelers and supervisors/managers on premium class travel limitations.

Ticket Issuance and Reporting

The Task Force found that the Commercial Travel Offices (CTOs) issued a substantial number of premium class tickets without proper authorization. In part, the decentralized approval authority levels and the lack of consistent policies on documentation of approval were to blame. In such an environment, the Department relied on contractor personnel to be the decision authority for what should have been government decisions. The Department had no method to identify reporting errors or instances of nonreporting by CTOs.

The Department must have a system to manage all premium class travel and to submit an annual First Class Travel Report to the GSA, as required by OMB. Ultimately, when the Department completes fielding of the Defense Travel System (DTS) (scheduled to be fielded Department-wide by end of FY 2006), the required data will be available through that system. Having a standardized approval document would greatly simplify the CTO task of identifying what constitutes proper authorization. The MID therefore directs the Director, DFAS, to submit a plan to the USD(P&R), within 2 months from approval of this MID, to develop, finance, and field a web-based control and approval system within 6 months from approval of this MID. The web-based system shall be compliant with the BEA and Joint Financial Management Improvement Program (JFMIP) requirements, should take the place of the manual reporting system, provide standard documentation of approvals, and further simplify the requirement that CTOs only issue premium class tickets when properly authorized.

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Conceptually, each premium class approval authority would be registered as a user of the central web application. When they approve a premium class request, they would access the web application and enter required tracking data. The web application would then issue a serial numbered approval document that would be made part of the travel authorization. Management officials at the Service and DoD levels could access the database to identify trends and problem areas for appropriate action. Approving officials would retain documents justifying premium class travel use. This basic process closely aligns with the premium class approval process that will be included in the DTS.

The Military Surface Deployment and Distribution Command (MSDDC), within the USTRANSCOM, is responsible for collecting and reporting passenger travel data for DoD's annual First Class Travel Report to the GSA. The Statistical Collection of Passenger Travel (STATCO) database is the DoD passenger travel management information system that is used to collect the data for the report.

CTOs are required to capture, record, and provide management data on all air, rail, bus, rental vehicle, and hotel/motel arrangements provided by the contractor in support of personnel performing official travel. DFAS locations separately report individual travel not arranged by a CTO. CTOs report travel data, based upon segments of the trip, to MSDDC within 15 calendar days after the end of the reporting month. DFAS data is reported using information extracted from Government Transportation Requests, and based upon trip information, versus segment information.

STATCO contains the current process for identifying airfare travel codes and the collection of related air travel data. The contract requires the CTO to provide fare class codes and reason codes for use of first class and business class. However, because STATCO in its current configuration pulls only the fare class code, and not the reason codes from the submitted data, MSDDC will have to reconfigure STATCO to capture all pertinent data for the annual First Class Usage reports forwarded to GSA. The USTRANSCOM, within 90 days of the signing of this MID, is to provide a plan to the USD(P&R) to develop and field the STATCO reconfiguration using its available resources.

In addition to the annual report to the GSA, the Deputy Secretary of Defense requires all travel policy offices within the DoD Components to submit semi-annual reports to the

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OUSD(P&R). The data in the reports shall cover the periods of October 1 through March 31 and April 1 through September 30 of each year, and the reports will be due no later than April 30 and October 31, respectively, each year. All DoD Components shall track the use of premium class travel and will maintain applicable documentation for 6 years and 3 months. At a minimum, each premium class travel approving official will capture and report the following data:

- Total number of premium class trips authorized during the given timeframe broken down by class of service.
- Total cost to the government of those trips approved.
- Name, grade, and unit of traveler.
- Approval official.
- Class of service authorized.
- Mode of travel (i.e., air, ship, train).
- Dates of travel.
- Origin and destination of each leg or the portion of a trip involving premium class travel.
- Specific purpose of travel and corresponding condition(s) met in the JTR/JFTR.
- Coach and premium class fares for each portion of a trip involving premium class travel.

Comparison of STATCO data with the new required reporting from premium class approval officials will help identify specific reporting errors and instances of non-reporting for appropriate action.

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Management Controls

In addition to policies detailing conditions for use of premium class travel and a reporting system for usage, the Department requires a system of internal management controls and recurring audit for oversight. Ineffective oversight of the use of premium class travel was a key contributor to weaknesses in the overall control environment. The current environment with its lack of oversight contributed to significant abuse of premium class travel resulting in greatly increased costs.

All Components must take appropriate action to comply with the revised policies and to implement stronger management controls. In preparation of the FY 2004 (and subsequent) Statements of Assurance, each DoD Component shall evaluate the effectiveness of its premium travel controls in its annual Management Control Program review. The evaluation will be conducted in accordance with the guidelines in DoD Directive 5010.38, "Management Control (MC) Program", and DoD Instruction 5010.40, "Management Control Program (MC) Procedures".

In summary, this MID requires:

All **DoD Components** to:

- **Elevate approval authorities** for premium class travel as designated in this MID.
- **Within 30 days** of the signing of this MID, implement, document and communicate to all personnel the appropriate designations and delegations of approving authority for first class and business class travel. **Notify USD(P&R)** when this is done.
- **Within 90 days** of the signing of this MID, submit a plan to **USD(P&R)** for how they will periodically provide notices and training to travelers and supervisor/managers on premium class travel limitations.
- Submit **semi-annual reports** (on **April 30 and October 31 each year**) on premium class travel to the **USD(P&R)**.
- Take appropriate action to comply with the revised policies and to implement stronger management controls.
- In preparation of the FY 2004 (and subsequent) Statements of Assurance, evaluate the effectiveness of its premium travel controls in its annual Management Control Program Review.

The **DFAS** to:

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- **Within 2 months** of approval of this MID, submit **a plan to USD (P&R)** to develop, finance, and **field a web-based control and approval system that will be implemented within 6 months** from approval of this MID.

The **USTRANSCOM** to:

- **Within 90 days** of the approval of this MID, submit **a plan to the USD (P&R)** to develop and field the STATCO reconfiguration.